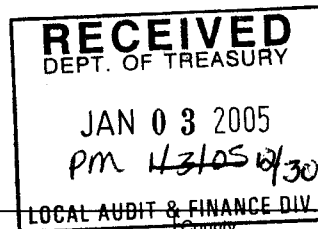


# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Lowell</b>		County <b>Kent</b>
Audit Date <b>12/10/04</b>	Opinion Date <b>12/2/04</b>	Date Accountant Report Submitted to State: <b>12/30/04</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>2330 East Paris Avenue SE</b>	City <b>Grand Rapids</b>	State <b>MI</b>	ZIP <b>49516</b>
Accountant Signature 		Date <b>12/30/04</b>	

# CITY OF LOWELL

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

December 10, 2004

Honorable Mayor and  
Members of the City Council  
City of Lowell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan, as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lowell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2004 on our consideration of the City of Lowell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 13, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of July 1, 2003. This results in a change to the City's format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the City of Lowell's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Lowell's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Rehmann Lobson*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management Discussion and Analysis

As management of the City of Lowell, we offer readers of the City of Lowell financial statements this narrative overview and analysis of the financial activities of the City of Lowell for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- 2004 was a year of significant activity at the city including completion of the City Hall expansion and renovation project.
- The fire department received a federal grant for upgrading department equipment.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lowell financial statements. The City of Lowell basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lowell finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Lowell assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the City of Lowell that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lowell include public safety, highways, public works, and general government services. The business-type activities of the City of Lowell include wastewater, water, airport, cable T.V. and light & power services.

The government-wide financial statements include not only the City of Lowell itself (known as the *primary government*), but also legally separate – (the building authority - component unit) – for which the City of Lowell is financially accountable. Financial information for this *component unit* is blended with the City as both a capital projects and a debt service fund. This report also includes information for the Downtown Development Authority also legally separate (component unit) – for which the City of Lowell is financially accountable. Financial information for this *component unit* is discretely presented.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lowell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lowell can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lowell maintains 7 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and Capital Projects fund, each of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lowell adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

**Proprietary funds.** The City of Lowell maintains 7 different proprietary funds. Five *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City also has two internal services funds to account for those services provided internally on a cost reimbursement basis. The internal services funds are included in the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater, water, airport, cable T.V. and light & power funds, all of which are considered to be major funds of the City of Lowell.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lowell own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-47 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 48-63 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lowell, assets exceeded liabilities by \$13,174,794 at the close of the most recent fiscal year.

By far the largest portion of the City of Lowell net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Lowell uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lowell investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. *[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]*

### City of Lowell Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$900,520	\$ 6,343,716	\$ 7,244,236
Capital assets	6,316,311	14,951,632	21,267,943
Total assets	7,216,831	21,295,348	28,512,179
Long-term liabilities outstanding	5,585,389	8,397,966	13,983,355
Other liabilities	311,700	1,042,330	1,354,030
Total liabilities	5,897,089	9,440,296	15,337,385
Net assets:			
Invested in capital assets, net			
of related debt	730,922	6,553,666	7,284,588
Restricted	558,836	1,515,447	2,074,283
Unrestricted	29,984	3,785,939	3,815,923
Total net assets	<u>\$1,319,742</u>	<u>\$11,855,052</u>	<u>\$ 13,174,794</u>

Net assets of governmental activities at year-end have been restricted primarily by funding sources for major, local Historic District, Commission Cemetery Trust Corpus. Of the net asset balance at year end, 55% is invested in capital assets net of related debt, 42% is restricted for other purposes and 2% is unrestricted and available for general City operations.

**City of Lowell  
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 238,096	\$7,644,863	\$7,882,959
Operating grants and contributions	382,780	-	382,780
General revenue:			
Property taxes	1,466,633	-	1,466,633
State shared revenue	414,285	-	414,285
Other	171,779	71,462	243,241
Total revenue	<u>2,673,573</u>	<u>7,716,325</u>	<u>10,389,898</u>
Governmental activities:			
General government	640,627	-	640,627
Public safety	1,121,482	-	1,121,482
Highways and streets	266,728	-	266,728
Public services	704,637	-	704,637
Interest on long-term debt	268,280	-	268,280
Total expenses – governmental activities	<u>3,001,754</u>	<u>-</u>	<u>3,001,754</u>
Business-type activities:			
Airport	-	28,448	28,448
Light & Power	-	5,253,777	5,253,777
Cable T.V.	-	1,258,585	1,258,585
Waste Water	-	849,580	849,580
Water	-	750,719	750,719
Total expenses business-type activities	<u>-</u>	<u>8,141,109</u>	<u>8,141,109</u>
Change in net assets	(328,181)	(424,784)	(752,965)
Net assets – beginning of year	<u>1,647,923</u>	<u>12,279,836</u>	<u>13,927,759</u>
Net assets – end of year	<u><u>\$1,319,742</u></u>	<u><u>\$11,855,052</u></u>	<u><u>\$13,174,794</u></u>

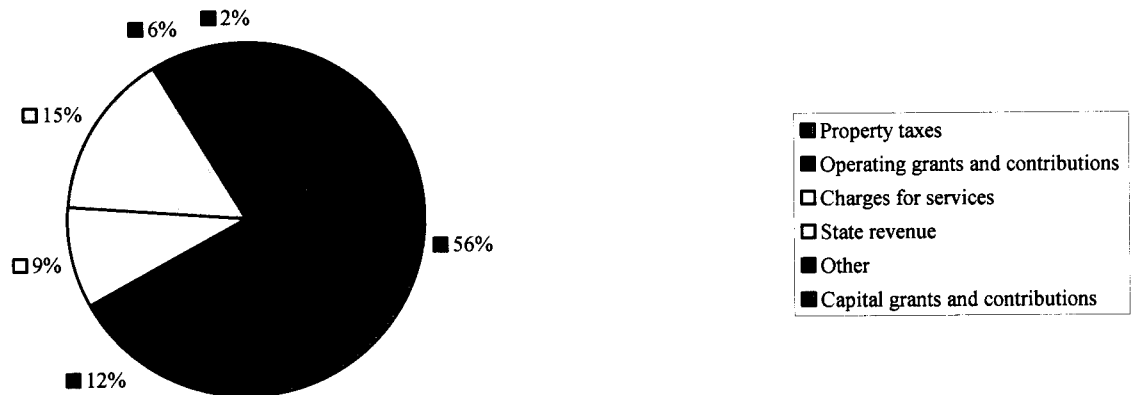
**Governmental activities.** Governmental activities decreased the City's net assets by \$328,181, accounting for 44% percent of the total decline in the net assets of the City. Key elements of this increase are as follows:

- General fund expenditures in excess of revenues and other financing sources.
- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

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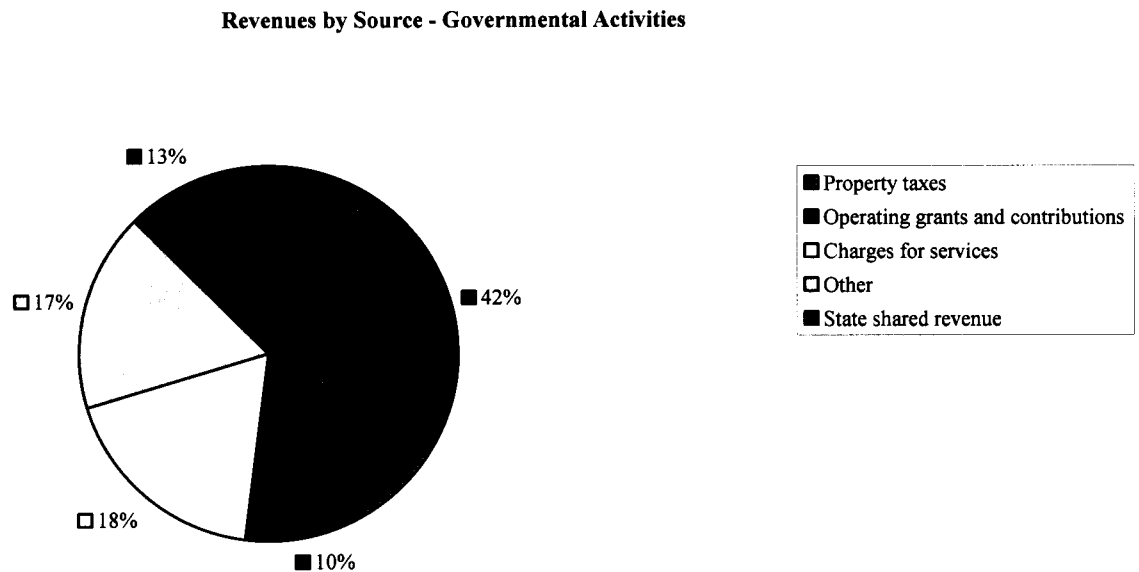
## Expenses and Program Revenues - Governmental Activities

Revenues by Source - Governmental Activities



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## Revenues by Source - Governmental Activities



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**Business-type activities.** Business-type activities decreased the City's net assets by \$424,784, accounting for a 56% percent of the total decrease in the government's net assets for the current year. Key elements of this increase are as follows:

- Losses in both the wastewater and Light & Power funds caused by inflation, maintenance cost and demand levels.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Lowell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of Lowell *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lowell financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lowell's governmental funds reported combined ending fund balance of \$672,390, a decrease of \$923,107 compared with prior year. Approximately 66 percent or \$609,515 of this decrease was the result of the capital projects expenditure.

The general fund is the chief operating fund of the City of Lowell. At the end of the current fiscal year, unreserved fund balance of the general fund was \$113,554 while total fund balance was \$115,696. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5 percent of total general fund expenditures.

The fund balance of the City of Lowell's general fund decreased by \$265,752 during the current fiscal year.

*Proprietary funds.* The City of Lowell's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$3,785,939. The total decline in net assets for the year was \$424,784. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Lowell's business-type activities.

## **General Fund Budgetary Highlights**

- Significant fluctuation between the original and amended but for the year include a decline in state share revenues due to reduced state revenues and minimal changes in budgeted expenditures.

## Capital Asset and Debt Administration

**Capital assets.** The City of Lowell's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$6,316,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Lowell's investment in capital assets for the current fiscal year was \$386,237.

Major capital asset events during the current fiscal year included the following:

- Completion of the City Hall.

### City of Lowell Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 568,460	\$ 209,838	\$ 778,298
Construction in progress	-	41,260	41,260
Building, equipment and improvements	<u>5,747,851</u>	<u>14,700,534</u>	<u>20,448,385</u>
<b>Total</b>	<b><u>\$6,316,311</u></b>	<b><u>\$14,951,632</u></b>	<b><u>\$40,626,552</u></b>

Additional information on the City of Lowell capital assets can be found in note 4 on pages 40 and 41 of this report.

## Long-term debt.

### City of Lowell Outstanding Obligations

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Bonded debt net of discounts	\$ 5,525,000	\$ 8,345,191	\$ 13,870,191
Other obligations	<u>169,690</u>	<u>52,775</u>	<u>222,465</u>
<b>Total</b>	<b><u>\$5,694,690</u></b>	<b><u>\$ 8,397,966</u></b>	<b><u>\$14,092,656</u></b>

During the year the City issued no new debt and paid approximately \$600,000 of principal off on debt outstanding at July 1, 2003.



The City of Lowell has a BBB+ rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. The current debt limitation for the city of Lowell is \$12,346,890. At June 30, 2004, the City's applicable debt outstanding was \$5,638,164, leaving a legal debt margin of \$6,708,726.

### **Economic Factors and Next Year's Budgets and Rates**

#### **Revenues**

Property Taxes – The General Fund's budgeted property tax, its largest revenue source, is projected to increase 5.3%. The taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by State Law to the Consumer Price Index.

State Shared Revenue – The General Fund's budgeted state shared revenues are expected to be \$418,000.

#### **Expenditures**

Although the General Fund expenditures are budgeted to decrease 3.4%, additional factors were considered in the preparation of the budget, as follows:

Compensation for City employees were estimated at a 1% increase in wages for each employee.

No staffing changes have been included in the budget. There were no reductions in staff or additions.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Lowell finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sue Olin, Treasurer, City of Lowell, 301 E. Main Street, Lowell, MI 49331.

**BASIC FINANCIAL STATEMENTS**

**CITY OF LOWELL**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

	Primary Government			Component Unit
	Governmental	Business-type	Total	Downtown
	Activities	Activities		Development
				Authority
<b>Assets</b>				
Cash and pooled investments	\$ 600,806	\$ 1,306,070	\$ 1,906,876	\$ 93,653
Investments	-	1,943,815	1,943,815	-
Accounts receivable	30,120	894,706	924,826	-
Due from other governments	187,669	1,077	188,746	-
Special assessment receivable	6,358	106,213	112,571	-
Inventory	20,719	43,064	63,783	-
Internal balances	45,157	(45,157)	-	-
Prepaid items and other assets	9,691	45,889	55,580	-
Restricted assets				
Cash and pooled investments	-	1,609,022	1,609,022	-
Investments	-	439,017	439,017	-
Capital assets				
Land	568,460	209,838	778,298	67,876
Buildings, equipment and fixture, net	5,747,851	14,700,534	20,448,385	889,288
Construction in progress	-	41,260	41,260	-
<b>Total assets</b>	<b>7,216,831</b>	<b>21,295,348</b>	<b>28,512,179</b>	<b>1,050,817</b>
<b>Liabilities</b>				
Accounts payable	91,155	513,219	604,374	18,976
Accrued liabilities	69,849	213,668	283,517	4,398
Accrued vacation payable	130,408	168,672	299,080	-
Due to other governmental units	7,108	-	7,108	-
Customer deposits	-	141,857	141,857	-
Deferred revenue	13,180	4,914	18,094	-
Noncurrent liabilities:				
Due within one year	180,389	415,384	595,773	125,000
Due in more than one year	5,405,000	7,982,582	13,387,582	1,485,000
<b>Total liabilities</b>	<b>5,897,089</b>	<b>9,440,296</b>	<b>15,337,385</b>	<b>1,633,374</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	730,922	6,553,666	7,284,588	(652,836)
Restricted for:				
Major Streets	152,969	-	152,969	-
Local Streets	84,601	-	84,601	-
Historic District Commission	43,652	-	43,652	-
Capital projects	28,586	-	28,586	-
Debt service	1,202	515,447	516,649	-
Emergency purchases	-	1,000,000	1,000,000	-
Cemetery trust corpus	245,684	-	245,684	-
Programs	2,142	-	2,142	-
Unrestricted	29,984	3,785,939	3,815,923	70,279
<b>Total net assets (deficit)</b>	<b>\$ 1,319,742</b>	<b>\$ 11,855,052</b>	<b>\$ 13,174,794</b>	<b>\$ (582,557)</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF LOWELL

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 640,627	\$ 125,605	\$ 2,739	\$ -	\$ (512,283)
Public safety	1,121,482	66,979	3,356	55,900	(995,247)
Highways and streets	266,728	21,099	270,785	-	25,156
Public services	704,637	24,413	50,000	-	(630,224)
Interest on long-term debt	268,280	-	-	-	(268,280)
Total governmental activities	<u>3,001,754</u>	<u>238,096</u>	<u>326,880</u>	<u>55,900</u>	<u>(2,380,878)</u>
Business-type activities:					
Airport	28,448	36,648	-	-	8,200
Light & Power	5,253,777	5,005,799	-	-	(247,978)
Cable T.V.	1,258,585	1,205,545	-	-	(53,040)
Wastewater	849,580	596,145	-	-	(253,435)
Water	750,719	800,726	-	-	50,007
Total business-type activities	<u>8,141,109</u>	<u>7,644,863</u>	<u>-</u>	<u>-</u>	<u>(496,246)</u>
Total primary government	<u>\$ 11,142,863</u>	<u>\$ 7,882,959</u>	<u>\$ 326,880</u>	<u>\$ 55,900</u>	<u>\$ (2,877,124)</u>
Component unit activities:					
Downtown Development Authority	\$ 325,790	\$ -	\$ -	\$ -	\$ (325,790)
Total component units	<u>\$ 325,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (325,790)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOWELL**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental</b>	<b>Business-type</b>		<b>Downtown</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Development</b>
				<b>Authority</b>
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,380,878)	\$ (496,246)	\$ (2,877,124)	\$ (325,790)
General revenues:				
Property taxes	1,466,633	-	1,466,633	447,986
State shared revenues	414,285	-	414,285	-
Interest earnings	7,015	71,462	78,477	3,038
Contributions	164,764	-	164,764	-
Total general revenues and transfers	2,052,697	71,462	2,124,159	451,024
Change in net assets	(328,181)	(424,784)	(752,965)	125,234
Net assets (deficit), beginning of year, as restated	1,647,923	12,279,836	13,927,759	(707,791)
<b>Net assets (deficit), end of year</b>	<u>\$ 1,319,742</u>	<u>\$ 11,855,052</u>	<u>\$ 13,174,794</u>	<u>\$ (582,557)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOWELL**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 31,196	\$ 553,756	\$ 584,952
Receivables				
Accounts	23,736	-	-	23,736
Special assessments	6,358	-	-	6,358
Due from other governmental units	139,679	-	47,990	187,669
Due from other funds	95,157	-	3,959	99,116
Prepaid expenses / expenditures	9,691	-	-	9,691
<b>TOTAL ASSETS</b>	<u>\$ 274,621</u>	<u>\$ 31,196</u>	<u>\$ 605,705</u>	<u>\$ 911,522</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 59,083	\$ 2,610	\$ 25,197	\$ 86,890
Accrued liabilities	38,717	-	1,945	40,662
Due to other funds	27,299	-	50,000	77,299
Due to other governments	7,108	-	-	7,108
Deferred revenue	13,180	-	-	13,180
Accrued compensated absences	13,538	-	455	13,993
<b>TOTAL LIABILITIES</b>	<u>158,925</u>	<u>2,610</u>	<u>77,597</u>	<u>239,132</u>
<u>FUND BALANCES</u>				
Reserved for:				
Permanent trust	-	-	245,684	245,684
Programs	2,142	-	-	2,142
Debt service	-	-	1,202	1,202
Unreserved				
Undesignated	113,554	28,586	-	142,140
Undesignated reported in special revenue funds	-	-	281,222	281,222
<b>TOTAL FUND BALANCES</b>	<u>115,696</u>	<u>28,586</u>	<u>528,108</u>	<u>672,390</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 274,621</u>	<u>\$ 31,196</u>	<u>\$ 605,705</u>	<u>\$ 911,522</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LOWELL

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2004

Fund balances - total governmental funds \$ 672,390

Amounts reported for *governmental activities* in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Add - capital assets (net) 6,257,575

An internal service fund is used by management to charge the costs of  
certain equipment usage and data processing to individual governmental  
funds. The assets and liabilities of the internal service fund are included  
in governmental activities in the statement of net assets.

Add - (loss) net assets of governmental activities accounted for in the  
internal service fund 111,750

Certain liabilities, such as bonds payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Deduct - compensated absences payable (109,301)

Deduct - bonds payable and lease purchases payable (5,585,389)

Deduct - accrued interest on bonds payable (27,283)

Net assets of governmental activities \$ 1,319,742

The accompanying notes are an integral part of these financial statements.



**CITY OF LOWELL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,466,633	\$ -	\$ -	\$ 1,466,633
Intergovernmental revenues:				
Federal	56,324	-	-	56,324
State	419,956	-	270,785	690,741
Charges for services	92,869	-	-	92,869
Interest income	5,421	(1,335)	5,433	9,519
Charges for perpetual care	-	-	5,250	5,250
Miscellaneous	268,345	16,137	67,755	352,237
<b>TOTAL REVENUES</b>	<b>2,309,548</b>	<b>14,802</b>	<b>349,223</b>	<b>2,673,573</b>
EXPENDITURES				
Current:				
General government	560,653	-	-	560,653
Public safety	1,127,543	-	-	1,127,543
Highways and streets	-	-	233,367	233,367
Public services	522,500	-	89,749	612,249
Other functions	87,439	568	89	88,096
Debt service:				
Principal retirement	-	-	125,000	125,000
Interest and fiscal charges	-	-	268,680	268,680
Capital outlay	-	543,749	37,343	581,092
<b>TOTAL EXPENDITURES</b>	<b>2,298,135</b>	<b>544,317</b>	<b>754,228</b>	<b>3,596,680</b>
REVENUES OVER (UNDER) EXPENDITURES	11,413	(529,515)	(405,005)	(923,107)
OTHER FINANCING SOURCES (USES)				
Transfers in	81,560	-	398,725	480,285
Transfers (out)	(358,725)	(80,000)	(41,560)	(480,285)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(277,165)</b>	<b>(80,000)</b>	<b>357,165</b>	<b>-</b>
NET CHANGES IN FUND BALANCES	(265,752)	(609,515)	(47,840)	(923,107)
FUND BALANCES, BEGINNING OF YEAR	381,448	638,101	575,948	1,595,497
FUND BALANCES, END OF YEAR	\$ 115,696	\$ 28,586	\$ 528,108	\$ 672,390

The accompanying notes are an integral part of these financial statements.

# CITY OF LOWELL

## Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (923,107)

Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	600,441
Deduct - depreciation expense	(154,893)

Bond proceeds provide current financial resources to governmental funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	184,610
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An internal service fund is used by management to charge the costs of certain  
equipment usage to individual governmental funds. The net revenue (expense) of the  
fund attributable to those funds is reported with governmental activities.

Add - income from governmental activities in internal service fund	(80,708)
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	45,074
Add - accrued interest	402

Change in net assets of governmental activities	<u>\$ (328,181)</u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF LOWELL

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AMENDED BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,478,045	\$ 1,471,045	\$ 1,466,633	\$ (4,412)
Intergovernmental	455,300	494,945	476,280	(18,665)
Charges for services	118,150	112,550	92,869	(19,681)
Investment income	15,600	6,100	5,421	(679)
Miscellaneous	211,128	229,928	268,345	38,417
TOTAL REVENUES	2,278,223	2,314,568	2,309,548	(5,020)
EXPENDITURES				
Current				
General government	519,552	558,925	560,653	(1,728)
Public safety	1,054,357	1,110,027	1,127,543	(17,516)
Public service	490,289	529,589	522,500	7,089
Other functions	47,587	82,322	87,439	(5,117)
TOTAL EXPENDITURES	2,111,785	2,280,863	2,298,135	(17,272)
REVENUES OVER (UNDER) EXPENDITURES	166,438	33,705	11,413	(22,292)
OTHER FINANCING SOURCES (USES)				
Transfers in	106,000	96,000	81,560	(14,440)
Transfers out	(358,725)	(358,725)	(358,725)	-
TOTAL OTHER FINANCING SOURCES (USES)	(252,725)	(262,725)	(277,165)	(14,440)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(86,287)	(229,020)	(265,752)	(36,732)
FUND BALANCES, BEGINNING OF YEAR	381,448	381,448	381,448	-
FUND BALANCES, END OF YEAR	\$ 295,161	\$ 152,428	\$ 115,696	\$ (36,732)

The accompanying notes are an integral part of these financial statements.

	GOVERNMENTAL ACTIVITIES	
	INTERNAL SERVICE	
TOTAL	FUNDS	
\$ 1,306,070	\$	15,854
1,943,815		-
894,706		6,384
106,213		-
154		36,568
1,077		-
46,777		-
43,064		20,719
45,889		-
<u>4,387,765</u>		<u>79,525</u>
1,609,022		-
439,017		-
<u>2,048,039</u>		<u>-</u>
568,806		-
209,838		-
41,260		-
334,880		-
22,517,488		-
1,180,610		896,263
5,008,991		-
<u>29,293,067</u>		<u>896,263</u>
(14,341,435)		(837,527)
<u>14,951,632</u>		<u>58,736</u>
21,956,242		138,261
513,219		4,265
213,668		1,904
45,311		13,228
46,777		-
4,265		-
20,384		-
<u>843,624</u>		<u>19,397</u>
395,000		-
137,592		-
<u>532,592</u>		<u>-</u>
7,982,582		-
568,806		-
4,914		-
168,672		7,114
<u>8,724,974</u>		<u>7,114</u>
10,101,190		26,511
6,553,666		58,736
515,447		-
1,000,000		-
3,785,939		53,014
<u>\$11,855,052</u>	<u>\$</u>	<u>111,750</u>

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2004

	<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>				<u>LIGHT &amp; POWER</u>
		<u>WASTEWATER</u>	<u>WATER</u>	<u>AIRPORT</u>	<u>CABLE T.V.</u>	
<b>CURRENT ASSETS</b>						
Cash and pooled investments		\$ 517,569	\$ 301,293	\$ 44,253	\$ 182,942	\$ 260,013
Investments		-	-	-	-	1,943,815
Accounts receivable		78,318	103,161	8,273	35,290	669,664
Special assessments		79,994	26,219	-	-	-
Due from other funds		77	77	-	-	-
Due from other governmental units		1,077	-	-	-	-
Current portion of advance receivable		-	-	-	-	46,777
Inventory		-	39,842	-	-	3,222
Prepaid expenses		-	-	-	11,412	34,477
<b>TOTAL CURRENT ASSETS</b>		<b>677,035</b>	<b>470,592</b>	<b>52,526</b>	<b>229,644</b>	<b>2,957,968</b>
<b>RESTRICTED ASSETS</b>						
Cash and pooled investments		193,015	211,716	-	9,910	1,194,381
Investments		-	-	-	-	439,017
<b>TOTAL RESTRICTED ASSETS</b>		<b>193,015</b>	<b>211,716</b>	<b>-</b>	<b>9,910</b>	<b>1,633,398</b>
<b>NONCURRENT ASSETS</b>						
Advances receivable		-	-	-	-	568,806
<b>CAPITAL ASSETS</b>						
Land		4,500	109,908	31,273	-	64,157
Work in progress		-	-	-	5,234	36,026
Land improvements		-	174,706	160,174	-	-
Buildings and plant		5,147,601	987,184	212,030	2,212,440	13,958,233
Machinery and equipment		608,336	572,274	-	-	-
Improvements other than buildings		1,132,201	3,876,790	-	-	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>6,892,638</b>	<b>5,720,862</b>	<b>403,477</b>	<b>2,217,674</b>	<b>14,058,416</b>
Less: Accumulated depreciation		(4,385,040)	(2,106,892)	(109,329)	(1,646,443)	(6,093,731)
<b>TOTAL CAPITAL ASSETS</b>		<b>2,507,598</b>	<b>3,613,970</b>	<b>294,148</b>	<b>571,231</b>	<b>7,964,685</b>
<b>TOTAL ASSETS</b>		<b>3,377,648</b>	<b>4,296,278</b>	<b>346,674</b>	<b>810,785</b>	<b>13,124,857</b>
	<u>LIABILITIES</u>					
<b>CURRENT LIABILITIES</b>						
Accounts payable		59,790	18,489	16	90,713	344,211
Accrued liabilities		29,406	39,267	192	29,009	115,794
Due to other funds		-	-	18,622	800	25,889
Current portion of advance payable		-	-	-	46,777	-
Customer deposits		-	2,105	2,160	-	-
Current maturity on long-term debt		-	14,000	6,384	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>89,196</b>	<b>73,861</b>	<b>27,374</b>	<b>167,299</b>	<b>485,894</b>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>						
Current maturity of bonds payable		130,000	130,000	-	-	135,000
Customer deposits		-	-	-	9,910	127,682
<b>TOTAL OTHER CURRENT LIABILITIES</b>		<b>130,000</b>	<b>130,000</b>	<b>-</b>	<b>9,910</b>	<b>262,682</b>
<b>NONCURRENT LIABILITIES</b>						
Bonds and notes payable, net of current maturities		1,018,878	2,008,285	46,391	-	4,909,028
Advances payable		-	-	-	568,806	-
Deferred revenue		-	-	4,914	-	-
Accrued compensated absences		13,580	29,341	-	36,096	89,655
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>1,032,458</b>	<b>2,037,626</b>	<b>51,305</b>	<b>604,902</b>	<b>4,998,683</b>
<b>TOTAL LIABILITIES</b>		<b>1,251,654</b>	<b>2,241,487</b>	<b>78,679</b>	<b>782,111</b>	<b>5,747,259</b>
	<u>NET ASSETS</u>					
Invested in capital assets, net of related debt		1,358,720	1,461,685	241,373	571,231	2,920,657
Restricted for debt service		63,015	81,716	-	-	370,716
Emergency purchases		-	-	-	-	1,000,000
Unrestricted		704,259	511,390	26,622	(542,557)	3,086,225
<b>TOTAL NET ASSETS</b>		<b>\$ 2,125,994</b>	<b>\$ 2,054,791</b>	<b>\$ 267,995</b>	<b>\$ 28,674</b>	<b>\$ 7,377,598</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUNDS		
	WASTEWATER	WATER	AIRPORT
OPERATING REVENUES			
Charges for services	\$ 588,845	\$ 771,519	\$ 36,648
Tap fees	7,300	14,524	-
TOTAL OPERATING REVENUES	596,145	786,043	36,648
OPERATING EXPENSES			
Water treatment	404,810	261,555	-
Transmission and distribution	89,799	193,216	-
Customer accounts	35,649	35,062	-
Administrative and general	31,686	34,136	13,487
Purchased programs and power expenses	-	-	-
Depreciation and amortization	216,606	110,290	12,135
Payment in lieu of taxes	-	-	-
TOTAL OPERATING EXPENSES	778,550	634,259	25,622
OPERATING INCOME (LOSS)	(182,405)	151,784	11,026
NON OPERATING REVENUES (EXPENSES)			
Interest income	9,185	8,247	-
Interest expense	(71,030)	(116,460)	(2,826)
Miscellaneous revenue	-	14,683	-
TOTAL NON OPERATING REVENUES (EXPENSES)	(61,845)	(93,530)	(2,826)
CHANGE IN NET ASSETS	(244,250)	58,254	8,200
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,370,244	1,996,537	259,795
NET ASSETS, END OF YEAR	\$ 2,125,994	\$ 2,054,791	\$ 267,995

The accompanying notes are an integral part of these financial statements.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
CABLE T.V.	LIGHT & POWER	TOTAL	INTERNAL SERVICE FUNDS
\$ 1,205,545	\$ 5,005,799	\$ 7,608,356	\$ 159,336
-	-	21,824	-
1,205,545	5,005,799	7,630,180	159,336
-	-	666,365	-
64,312	392,485	739,812	-
-	104,249	174,960	-
465,765	704,819	1,249,893	181,447
583,364	3,037,060	3,620,424	-
119,541	575,025	1,033,597	59,311
-	211,875	211,875	-
1,232,982	5,025,513	7,696,926	240,758
(27,437)	(19,714)	(66,746)	(81,422)
2,317	51,713	71,462	714
(25,603)	(228,264)	(444,183)	-
-	-	14,683	-
(23,286)	(176,551)	(358,038)	714
(50,723)	(196,265)	(424,784)	(80,708)
79,397	7,573,863	12,279,836	192,458
\$ 28,674	\$ 7,377,598	\$11,855,052	\$ 111,750

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUNDS				
	WASTEWATER	WATER	AIRPORT	CABLE T.V.	LIGHT & POWER
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts from customers and users	598,848	804,798	36,748	1,199,991	4,927,666
Payments to suppliers	(424,169)	(209,955)	(13,549)	(840,659)	(3,974,816)
Payments to employees	(164,500)	(347,715)	-	(257,004)	(575,102)
Net cash provided by (used in) operating activities	10,179	247,128	23,199	102,328	377,748
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>					
Due to other funds	-	-	-	-	-
Due from other funds/advances receivable	-	-	-	-	44,946
Other activities	-	14,683	-	-	-
Net cash provided by (used in) non-capital financing	-	14,683	-	-	44,946
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisitions of capital assets	-	(42,260)	(8,155)	(37,811)	(355,048)
Principal paid on long-term debt/advances	(125,000)	(134,000)	(6,383)	(44,946)	(130,000)
Interest paid on long-term debt/advances	(66,030)	(105,420)	(2,826)	(25,603)	(229,889)
Proceeds from sale of capital assets	-	-	-	-	142,560
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(191,030)	(281,680)	(17,364)	(108,360)	(572,377)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	9,185	8,247	-	2,317	51,713
Sale of investments	-	-	-	-	245,185
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	9,185	8,247	-	2,317	296,898
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(171,666)	(11,622)	5,835	(3,715)	147,215
<b>CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>	882,250	524,631	38,418	196,567	1,307,179
<b>CASH AND POOLED INVESTMENTS, END OF YEAR</b>	\$ 710,584	\$ 513,009	\$ 44,253	\$ 192,852	\$ 1,454,394
Cash and pooled investments	\$ 517,569	\$ 301,293	\$ 44,253	\$ 182,942	\$ 260,013
Restricted cash and pooled investments	193,015	211,716	-	9,910	1,194,381
Total	\$ 710,584	\$ 513,009	\$ 44,253	\$ 192,852	\$ 1,454,394
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ (182,405)	\$ 151,784	\$ 11,026	\$ (27,437)	\$ (19,714)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	216,606	110,290	12,135	119,541	575,025
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	2,695	18,457	1,072	(4,570)	(85,065)
Due from other governmental units	85	-	-	-	-
Inventory	-	(8,793)	-	-	-
Prepaid expenses	-	-	-	421	(4,052)
Accounts payable	(16,222)	2,144	16	11,198	(117,819)
Accrued liabilities	(10,503)	(27,052)	(1,050)	3,522	15,984
Due to other funds	(77)	(77)	-	333	4,579
Customer deposits	-	375	-	(680)	8,810
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 10,179	\$ 247,128	\$ 23,199	\$ 102,328	\$ 377,748

The accompanying notes are an integral part of these financial statements.



GOVERNMENTAL  
ACTIVITIES

TOTAL	INTERNAL SERVICE FUNDS
\$ -	\$ 160,635
7,568,051	-
(5,463,148)	(76,357)
(1,344,321)	(108,664)
760,582	(24,386)
-	13,228
44,946	(36,568)
14,683	-
59,629	(23,340)
(443,274)	-
(440,329)	-
(429,768)	-
142,560	-
(1,170,811)	-
71,462	714
245,185	-
316,647	714
(33,953)	(47,012)
2,949,045	62,866
\$ 2,915,092	\$ 15,854
\$ 1,306,070	\$ 15,854
1,609,022	-
\$ 2,915,092	\$ 15,854
\$ (66,746)	\$ (81,422)
1,033,597	59,311
(67,411)	1,299
85	-
(8,793)	(719)
(3,631)	-
(120,683)	(2,918)
(19,099)	63
4,758	-
8,505	-
\$ 760,582	\$ (24,386)

**CITY OF LOWELL**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
Cash and pooled investments	\$ 121,765	\$ 14,608
Investments	<u>1,059,878</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>1,181,643</u>	<u>\$ 14,608</u>
<u>LIABILITIES</u>		
LIABILITIES		
Accounts payable	3,335	\$ 14,514
Due to other governments	<u>-</u>	<u>94</u>
<u>TOTAL LIABILITIES</u>	3,335	<u>\$ 14,608</u>
<u>NET ASSETS</u>		
Restricted	20,833	
Unrestricted board designated	1,100,848	
Unrestricted	<u>56,627</u>	
<u>TOTAL NET ASSETS</u>	<u>\$ 1,178,308</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LOWELL**  
**PRIVATE PURPOSE TRUSTS**  
**STATEMENT OF CHANGES IN FIDUCIARY**  
**NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>TOTALS</u>
OPERATING REVENUES	
Interest and miscellaneous	<u>\$ 16,809</u>
EXPENDITURES	
Other functions	<u>81,295</u>
CHANGES IN NET ASSETS	<u>(64,486)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,242,794</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,178,308</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lowell (the "City") was incorporated in 1960, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, as described below, as applicable to governments. The following is a summary of the more significant policies:

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. A separate section of the General Purpose Financial Statements provides detailed financial information on the discretely presented component unit.

***Restricted Assets***

Certain bond and deposit agreements require assets to be set aside for principal, interest repayment and other purposes. These assets are classified as restricted assets on the balance sheet because their use is limited by applicable agreement requirements.

***Blended Component Unit***

**Building Authority** – The Building Authority is an entity legally separated from the City. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to acquire, construct and equip public buildings on behalf of the City.

The Building Authority is the only blended component unit.

***Discretely Presented Component Unit***

**Downtown Development Authority** – The Downtown Development Authority (DDA), was established pursuant to the provisions of Public Act 197 of 1975, and is governed by a nine (9) person Board of Directors appointed by the City Council. All records and minutes are open to the public and can be inspected at the City of Lowell, 301 East Main Street, Lowell, Michigan 49331. Separate financial statements are not prepared for the Downtown Development Authority.

The Downtown Development Authority is the only discretely presented component unit.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the County pays the City for any outstanding real property (excluding personal property) taxes of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are recorded when all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, landfill remediation and compensated absences expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the issuance of the Building Authority bonds and the related construction and renovation projects.

The City reports the following major proprietary funds:

The *Wastewater Fund* accounts for operation, maintenance and capital improvement of the wastewater system, and retirement of related debt.

The *Water Fund* accounts for operation, maintenance and capital improvement of the water system, and retirement of related debt.

The *Airport Fund* accounts for operation, maintenance and capital improvement of the airport, and retirement of related debt.

The *Cable T.V. Fund* accounts for operation, maintenance and capital improvements of the cable television system, and retirement of related debt.

The *Light and Power Fund* accounts for operation, maintenance and capital improvements of the electrical utility system, and retirement of related debt.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for revenue from specific revenue sources (other than capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Internal Service Funds* account for services provided internally to city departments including data processing and equipment rental and repair on a cost reimbursement basis.

The *Permanent Trust Fund* is used to account for the corpus of the cemetery trust which provides funding for cemetery maintenance activities.

The *Trust and Agency Funds* are used to account for assets held by the City in a trustee or agency capacity on behalf of outside parties, including other governments. These include a private purpose trusts and agency funds.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services. Operating expenses for the enterprise fund include depreciation on capital assets and payments for services, wages and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment amortization and insurance coverage. Operating expenses for the enterprise funds and internal service funds include wages, supplies, contracted services and depreciation on capital assets. Operating expenses for the internal service funds also include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Noncurrent portions of long-term interfund loans receivable in the funds are reported as advances.

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."



**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Allowance for Doubtful Accounts***

Lowell Light & Power and Cable enterprise funds have established a reserve for uncollectible customer receivables. The reserve for uncollectible accounts for Light & Power at June 30, 2004 was \$5,079. The reserve for Cable at June 30, 2004 was \$6,861.

Accounts receivable are shown net of allowance for doubtful accounts.

***Inventories and Prepaid Items***

Inventories are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

***Cash and Pooled Investments***

For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds which are adopted on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submitted to the City Council, a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings were conducted by the City to obtain taxpayer comments.
3. By June of each year, the budget is legally enacted through passage of the appropriations act.
4. The City Manager is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the City Council. The legal level of budgetary control is at the department level.
5. Formal budgetary integration is employed as a management control device during the year. Budget appropriations lapse at year end.
6. The budgeted amounts presented in these financial statements are final budgets, after amendments on various dates.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30-50
Equipment	5-50
Improvements	30-50
Public domain infrastructure	40

***Deferred Revenue***

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Advanced grant payments (General Fund)	\$ 13,180
Advance rent payments (Airport)	<u>4,914</u>
	<u><b>\$18,094</b></u>

***Net Assets/Fund Balance***

Reserved fund balance/net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Investments***

Investments are stated at fair value in accordance with GASB Statement No. 31.

***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

***Payment in Lieu of Property Taxes/Franchise Fees***

The Light and Power and Cable Television enterprise funds make payment in lieu of property taxes and franchise fees payments which are recorded as expenses in the enterprise funds and revenues in the general fund.

***Accrued Vacation and Sick Leave***

All full-time employees are allowed to earn and accumulate sick and vacation pay subject to per employee maximum accumulated hours. These hours vest with each employee and are payable upon termination (varies with employment agreement), retirement or exceeding the maximum hours accrued. Accrued compensated absences are reported in the proprietary fund types, governmental fund types to the extent that they will be liquidated with expendable available financial resources, and the long-term balance payable from governmental funds is recorded on the statement of net assets.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Post-Retirement Health Care Benefits***

The City provides postretirement healthcare benefits to all employees who retire from the City and qualify for benefits under the terms of the City's retirement plan. These postretirement healthcare benefits are limited to a maximum of five years, or attainment of age 65, whichever ever comes first. Currently two former employees meet these requirements and received \$17,664 in benefits for the year ended June 30, 2004. These benefits are unfunded and financed on a pay-as-you-go basis. Benefits are treated as an expenditure when paid.

***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted at the department level.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

During the year ended June 30, 2004, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Legislative Council	\$ 17,370	\$ 17,886	\$ (516)
City Manager	95,696	96,645	(949)
Assessor	40,132	41,750	(1,618)
Attorney	30,000	38,288	(8,288)
Treasurer	169,056	169,810	(754)
Police	849,720	857,421	(7,701)
Fire	258,308	268,122	(9,814)
City Hall	44,305	46,403	(2,098)
Engineering	7,300	7,403	(103)
Refuse collection	85,000	93,496	(8,496)
Other Services and Charges	82,322	87,439	(5,117)
<b>Special Revenue Fund</b>			
<b>Major Street</b>			
Administration	28,464	42,212	(13,748)
Capital Outlay	10,000	21,942	(11,942)
<b>Local Street</b>			
Administration	18,615	23,919	(5,304)
Capital Outlay	-	15,401	(15,401)
<b>Historical Special</b>			
Public Services	85,000	89,749	(4,749)

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS**

The captions on the combined balance sheet relating to cash and pooled investments and investments are as follows:

	Fiduciary Funds				
	Govern- mental Activities	Business- Type Activities	Component Unit DDA	Private Purpose Trust	Agency Funds
					Total
Cash and pooled investments	\$600,806	\$1,306,070	\$93,653	\$ 121,765	\$14,608
Investments	-	1,943,815	-	1,059,878	-
Restricted assets - cash and pooled investments	-	1,609,022	-	-	-
Restricted investments	-	439,017	-	-	-
	<u>\$600,806</u>	<u>\$5,297,924</u>	<u>\$93,653</u>	<u>\$1,181,643</u>	<u>\$14,608</u>
					<u>\$7,188,634</u>

	Deposits	Investments	Total
Cash and pooled investments	\$ 818,239	\$ 1,318,663	\$2,136,902
Investments	-	3,003,693	3,003,693
Restricted cash and pooled investments	1,204,291	404,731	1,609,022
Restricted investments	-	439,017	439,017
<b>Total cash and investments</b>	<u><b>\$2,022,530</b></u>	<u><b>\$5,166,104</b></u>	<u><b>\$7,188,634</b></u>

	Bank Balance
Summary of insured and uninsured deposits are:	
Insured (FDIC)	\$ 239,000
Uninsured, uncollateralized	1,723,312
<b>Total</b>	<u><b>\$ 2,162,312</b></u>

These deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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***Statutory Authority***

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City first utilizes restricted resources and then utilizes unrestricted resources to provide funding for disbursements when both restricted and unrestricted net assets are available.

The City investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Investments held by the City are reported at fair value.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS (CONTINUED)**

The City's investments are in accordance with statutory authority as follows:

	<b>Category at Fair Value</b>			<b>Total Carrying/ Fair Value</b>
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
U.S. Government Agencies	<u>\$3,136,108</u>	<u>\$ -</u>	<u>\$ -</u>	\$3,136,108
Uncategorized as to risk:				
Mutual Funds				873,788
Kent County Investment Pool				<u>1,156,208</u>
<b>Total investments</b>				<b><u>\$5,166,104</u></b>

The Kent County pool is not SEC registered. This pool is governed by the laws of the State of Michigan for municipal investment pools. Fair value of the position in the pool is the same as the value of pool shares.

**4. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2004</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$554,085	\$ 14,375	\$ -	\$ 568,460
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>554,085</u>	<u>14,375</u>	<u>-</u>	<u>568,460</u>
Capital assets, being depreciated:				
Land improvements	235,639	10,070	-	245,709
Buildings	5,286,554	407,446	-	5,694,000
Equipments	1,371,337	168,550	-	1,539,887
Other improvements	55,874	-	-	55,874
Total capital assets being depreciated	<u>6,949,404</u>	<u>586,066</u>	<u>-</u>	<u>7,535,470</u>
Less accumulated depreciation for:				
Land improvements	67,074	7,855	-	74,929
Buildings	454,445	105,731	-	560,176
Equipments	1,041,407	99,500	-	1,140,907
Other improvements	10,489	1,118	-	11,607
Total accumulated depreciation	<u>1,573,415</u>	<u>214,204</u>	<u>-</u>	<u>1,787,619</u>
Total capital assets, being depreciated, net	<u>5,375,989</u>	<u>371,862</u>	<u>-</u>	<u>5,747,851</u>
Governmental activities capital assets, net	<u>\$5,930,074</u>	<u>\$386,237</u>	<u>\$ -</u>	<u>\$6,316,311</u>



**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**4. CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 209,838	\$ -	\$ -	\$ 209,838
Construction in progress	62,648	35,869	(57,257)	41,260
Total capital assets, not being depreciated	<u>272,486</u>	<u>35,869</u>	<u>(57,257)</u>	<u>251,098</u>
Capital assets, being depreciated:				
Land improvements	312,350	22,530	-	334,880
Buildings and plant	22,230,356	435,632	(148,500)	22,517,488
Equipments	1,180,610	-	-	1,180,610
Other improvements	5,002,491	6,500	-	5,008,991
Total capital assets, being depreciated	<u>28,725,807</u>	<u>464,662</u>	<u>(148,500)</u>	<u>29,041,969</u>
Less accumulated depreciation for:				
Land improvements	96,045	8,674	-	104,719
Buildings and plant	10,698,087	915,649	(5,940)	11,607,796
Equipments	1,122,652	11,143	-	1,133,795
Other improvements	1,396,994	98,131	-	1,495,125
Total accumulated depreciation	<u>13,313,778</u>	<u>1,033,597</u>	<u>(5,940)</u>	<u>14,341,435</u>
Total capital assets, being depreciated, net	<u>15,412,029</u>	<u>(568,935)</u>	<u>(142,560)</u>	<u>14,700,534</u>
Business-type activities capital assets, net	<u>\$15,684,515</u>	<u>\$(533,066)</u>	<u>\$(199,817)</u>	<u>\$14,951,632</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 36,301
Public safety	63,549
Public works	15,114
Public services	39,929
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>59,311</u>
<b>Total depreciation expense – governmental activities</b>	<u><b>\$214,204</b></u>

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**5. DEFINED BENEFIT PENSION PLAN**

***Municipal Employees Retirement System of Michigan***

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is from 0% to 10.3% of annual covered payroll depending on position. Participating employees are required to contribute from 0% to 6% to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City Council, depending on the MERS program adopted.

For the year ended June 30, 2004, the City's annual pension cost for MERS of \$214,472 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

**Three-Year Trend Information**

<b><u>Year Ended</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
2002	174,801	100%	\$ -
2003	175,075	100%	-
2004	214,472	100%	-

**Schedule of Funding Progress**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Accrued Liability (AAL) Entry Age (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b-a)</u></b>	<b><u>Funded Ratio Total</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u></b>
12/31/01	4,960,910	6,708,027	1,747,117	74%	2,026,042	86%
12/31/02	5,174,380	7,131,702	1,957,322	73%	2,072,636	94%
12/31/03	5,602,800	7,701,238	2,098,432	73%	2,115,495	99%

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**6. INDIVIDUAL FUND INTERFUND RECEIVABLES AND PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2004 are as follows:

	General Fund	Wastewater Fund	Water Fund	Nonmajor Funds	Internal Service Fund	Total
Due from Fund						
General Fund	\$ -	\$ -	\$ -	\$ 3,959	\$23,340	\$27,299
Airport	18,622	-	-	-	-	18,622
Cable T.V.	800	-	-	-	-	800
Light & Power	25,735	77	77	-	-	25,889
Nonmajor funds	50,000	-	-	-	-	50,000
Internal Service Funds	-	-	-	-	13,228	13,228
	<u>\$95,157</u>	<u>\$ 77</u>	<u>\$ 77</u>	<u>\$ 3,959</u>	<u>\$36,568</u>	<u>\$135,838</u>

**7. INDIVIDUAL FUND ADVANCE RECEIVABLES AND PAYABLES**

Advances between funds representing long-term receivable and payable between funds at June 30, 2004 are as follows:

<u>Fund</u>	<u>Advance Receivables</u>	<u>Advance Payables</u>
Enterprise Funds:		
Light & Power	\$615,583	\$ -
Cable T.V.	-	615,583
Total	<u>\$615,583</u>	<u>\$615,583</u>

**8. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2004 are as follows:

	General Fund	Nonmajor	Total
Transfers out:			
General Fund	\$ -	\$358,725	\$358,725
Capital Projects	80,000	-	80,000
Nonmajor	1,560	40,000	41,560
	<u>\$81,560</u>	<u>\$398,725</u>	<u>\$480,285</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**9. LONG-TERM OBLIGATIONS**

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Governmental Long-Term Debt</b>					
<b>Primary Government:</b>					
4.60% - 5.00% Building Authority Bonds, series 1996; payable in annual amounts of \$35,000 to \$160,000 through 2006.	\$120,000	\$ -	\$40,000	\$80,000	\$40,000
4.20% - 5.00% Building Authority Bonds, series 1999; payable in annual amounts of \$35,000 to \$65,000 through 2010.	310,000	-	60,000	250,000	55,000
2.0% - 4.8% Transportation Fund Improvement Bonds, series 2001; payable in annual amounts of \$25,000 to \$45,000 through 2017.	495,000	-	25,000	470,000	25,000
3.25% - 5.12% Building Authority bonds, series 2002; payable in annual amounts of \$60,000 to \$30,000 through 2032.	4,725,000	-	-	4,725,000	-
Municipal Lease – Installment Purchase agreement for a police cruiser payable in annual amounts of \$5,919 to \$6,308 through 2005.	12,226	-	5,918	6,308	6,308
Municipal Lease – Installment Purchase agreement for a police cruiser payable in annual amounts of \$5,892 to \$6,281 through 2005.	12,173	-	5,892	6,281	6,281
Act 99 Installment Purchase, Series 2002 for a fire vehicle in annual amounts of \$47,800 through 2005.	95,600	-	47,800	47,800	47,800
Vested Sick and vacation pay	<u>154,375</u>	<u>-</u>	<u>45,074</u>	<u>109,301</u>	<u>-</u>
<b>Total Governmental Long-Term Debt</b>	<u>5,924,374</u>	<u>-</u>	<u>229,684</u>	<u>5,694,690</u>	<u>180,389</u>

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**9. LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
<b>Proprietary Funds</b>					
<b>Enterprise Funds</b>					
Wastewater Fund					
4.40% - 5.40% Sanitary Sewer System Revenue Refunding Bonds, series 1993; payable in annual amounts of \$30,000 to \$175,000 through 2012.	\$1,340,000	\$	\$125,000	\$1,215,000	\$130,000
<b>Light and Power Fund</b>					
3.00%-5.00% Electric Supply System Revenue Bonds, series 2002; payable in semi-annual amounts of \$130,000 to \$350,000 through 2027.	5,300,000	-	130,000	5,170,000	135,000
<b>Water Fund</b>					
6.25% Special Assessment Water Bonds, series 1993A; payable in annual amounts of \$3,000 to \$10,000 through 2008.	20,000	-	4,000	16,000	4,000
6.30% - 7.50% Special Assessment Water Bonds, series 1994A; payable in annual amounts of \$5,000 to \$10,000 through 2014.	105,000	-	5,000	100,000	10,000
3.00% - 5.00% Water Revenue Refunding Bonds, series 2002; payable in annual amounts of \$100,000 to \$195,000 through 2019.	2,360,000	-	125,000	2,235,000	130,000
<b>Airport Fund</b>					
5.50% Michigan Aeronautics Commission Airport Loan, series 2001; payable in annual amounts of \$5,437 - \$8,800 through 2011.	59,158	-	6,383	52,775	6,384
<b>Sub-Total Enterprise Funds</b>	9,184,158	-	395,383	8,788,775	415,384
<b>Unamortized discount/issuance cost</b>	412,287	-	21,478	390,809	-
<b>Total Enterprise Funds</b>	8,771,871	-	373,905	8,397,966	415,384
<b>Total Long-Term Obligations -     Primary Government</b>	14,696,245	-	603,589	14,092,656	595,773

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**9. LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Du Withi One Y
<b>Component Unit</b>					
5.50% - 6.65% DDA Michigan Municipal Bond Authority, series 1994F; payable In annual amounts of \$50,000 - \$100,000.	\$ 810,000	\$ -	\$ 60,000	\$ 750,000	\$ 60
4.00 - 5.35% DDA General Obligation Limited Tax Development Bonds, series 1999; payable in annual payments of \$55,000 - \$110,000.	925,000	-	65,000	860,000	65,0
<b>Total Component Unit</b>	<b>1,735,000</b>	<b>-</b>	<b>125,000</b>	<b>1,610,000</b>	<b>125</b>
<b>Total Long-Term Obligations – Reporting Entity</b>	<b>\$16,431,245</b>	<b>\$ -</b>	<b>\$728,589</b>	<b>\$15,702,656</b>	<b>\$728</b>

The governmental long-term debt is serviced by the general fund except for the transportation bonds which are serviced by the major street fund. Remaining debt is serviced by the funds indicated above.

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term obligations outstanding at June 30, 2004 are as follows:

	<b>Governmental Long-Term Debt</b>		<b>Enterprise Funds</b>		<b>Component Unit</b>	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 180,389	\$ 265,407	\$ 415,384	\$ 391,648	\$ 125,000	\$ 87,580
2006	110,000	258,048	425,735	376,257	130,000	80,920
2007	130,000	253,165	436,106	359,899	135,000	73,886
2008	125,000	248,090	446,497	342,782	150,000	66,160
2009	125,000	243,165	462,909	324,399	155,000	57,760
2010-2014	715,000	1,137,190	2,227,144	1,304,316	915,000	141,663
2015-2019	965,000	949,921	1,785,000	854,604	-	-
2020-2024	1,135,000	698,640	1,010,000	417,106	-	-
2025-2029	1,200,000	429,000	1,230,000	196,750	-	-
2030-2034	900,000	92,250	350,000	8,750	-	-
	<b>\$5,585,389</b>	<b>\$4,574,876</b>	<b>\$8,788,775</b>	<b>\$4,576,511</b>	<b>\$1,610,000</b>	<b>\$507,990</b>

The City is a party to certain agreements relating to Industrial Revenue and Economic Development bond issues. The agreements provide that the bonds are self-liquidating revenue bonds and are not obligation of the City. The bonds are collateralized by the assets constructed with bond proceeds and are guaranteed by the recipient corporations. The amount of such bonds outstanding at June 30, 2004, was approximately \$1,700,000.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**10. LITIGATION**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

**11. COMMITMENTS**

The City has commitments outstanding at year end of approximately \$169,000 and \$350,000 to be paid from the Light & Power and Street funds respectively.

**12. JOINT VENTURE**

The City entered into a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City are unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing MI 48917.

Under the joint venture, the City have entered into Power Sales Contracts and Project Support Contracts. These contracts provide for the City to purchase from MPPA 1.24% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit No. 1, which became operational in August 1984, 11.86% of MPPA's 4.8% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980 and 5.63% of the energy generated by MPPA's 100% ownership in CT Project No. 1 (50 mw rated simple cycle combustion turbine generating unit and ancillary support facilities located in Kalkaska, Michigan) which became operational in 2004. These contracts required the City to purchase approximately 3, 4.5 and 2.8 megawatts of power, respectively.

For the year ended June 30, 2004, the City recognized expenses totaling \$2,474,458 under the terms of the contract which represented \$354,922 for fixed operating costs, \$1,195,808 for debt service and \$923,728 for the purchase of power. Accounts payable to MPPA totaled \$303,575 at June 30, 2004. Under the terms of its contracts, the City must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1, Consumers Energy's Campbell Unit No. 3 and CT Project No. 1.

**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

A summary of future contract payments with the MPPA is as follows:

Year	Belle River		Campbell		Combustion Turbine		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2005	\$ 340,960	\$ 152,799	\$ 438,998	\$ 149,022	\$ 143,817	\$ 63,749	\$ 1,289,345
2006	340,964	157,383	438,799	153,492	143,615	65,661	1,299,914
2007	340,901	162,104	439,499	158,097	143,626	67,631	1,311,858
2008	340,948	166,967	439,813	162,840	143,776	69,660	1,324,004
2009	340,905	171,976	439,710	167,725	143,634	71,750	1,335,700
2010-2014	1,704,708	940,438	1,443,019	722,751	718,555	392,357	5,921,828
2015-2019	1,363,722	850,102	-	-	718,667	454,849	3,396,340
2020-2024	-	-	-	-	718,656	527,295	1,245,951
2025-2027	-	-	-	-	431,198	355,877	787,075
	<u>\$ 4,773,108</u>	<u>\$ 2,610,769</u>	<u>\$ 3,639,838</u>	<u>\$ 1,513,927</u>	<u>\$ 3,305,544</u>	<u>\$ 2,068,829</u>	<u>\$ 17,912,015</u>

Debt Service requirements expire in the years 2013, 2018 and 2027 for the Campbell, Belle River and combustion turbine projects, respectively. The above amounts include estimated fixed operating costs for the same period as the Debt Service. The contracts for the City's commitment for fixed operating costs to extend beyond these dates is dependent upon the use of the facilities.

The joint venture is a result of an ongoing financial responsibility. The City did not have an initial equity interest and do not participate in net income or losses.

### 13. RESTATEMENTS

As of and for the year ended June 30, 2004, the Utilities implemented the following Governmental Accounting Standards Board pronouncements:

#### *Statements*

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

#### *Interpretation*

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2004.



**CITY OF LOWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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The more significant of the changes required by the new standards include:

- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net asset accounts:

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of June 30, 2003	\$ 1,354,975
Add: Governmental capital assets, including general fixed assets as of June 30, 2003	5,812,027
Add: Reclassification of permanent funds to governmental	240,522
Add: Net assets of governmental activities accounted for in internal service funds	1,147,265
Deduct: Debt payable as of June 30, 2003	(5,769,999)
Deduct: Compensated absences payable as of June 30, 2003	(154,375)
Deduct: Accrued interest on bonds as of June 30, 2003	(27,685)
Add: Trust funds reclassified as special revenue funds	<u>436,938</u>
<b>Governmental net assets, restated, as of July 1, 2003</b>	<b><u>\$ 1,647,923</u></b>

Beginning net assets for enterprise funds was determined as follows:

Retained earnings of cable television as of June 30, 2003	\$ 9,730,393
Deduct: Copyright liability	(15,420)
Add: Contributed capital	<u>2,564,863</u>
<b>Net assets, restated, as of July 1, 2003</b>	<b><u>\$ 12,279,836</u></b>

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**GENERAL FUND**

**CITY OF LOWELL**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
TAXES				
Property taxes	\$ 1,247,845	\$ 1,247,845	\$ 1,242,759	\$ (5,086)
Payment in lieu of taxes	212,000	205,000	205,035	35
Penalties and interest	5,000	5,000	5,809	809
Trailer fees	900	900	783	(117)
Industrial facility tax	12,300	12,300	12,247	(53)
TOTAL TAXES	<u>1,478,045</u>	<u>1,471,045</u>	<u>1,466,633</u>	<u>(4,412)</u>
INTERGOVERNMENTAL				
FEDERAL REVENUE	<u>-</u>	<u>69,030</u>	<u>56,324</u>	<u>(12,706)</u>
STATE REVENUE				
Sales tax	447,900	418,515	414,285	(4,230)
Liquor licenses	5,500	5,500	2,739	(2,761)
Other	1,900	1,900	2,932	1,032
TOTAL STATE REVENUE	<u>455,300</u>	<u>425,915</u>	<u>419,956</u>	<u>(5,959)</u>
CHARGES FOR SERVICES				
Fire protection	80,000	80,000	58,181	(21,819)
Cemetery openings	14,500	8,000	8,550	550
Other charges and fees	23,650	24,550	26,138	1,588
TOTAL CHARGES FOR SERVICES	<u>118,150</u>	<u>112,550</u>	<u>92,869</u>	<u>(19,681)</u>
INVESTMENT INCOME	<u>15,600</u>	<u>6,100</u>	<u>5,421</u>	<u>(679)</u>
OTHER INCOME				
Sales - other	49,500	49,500	51,317	1,817
Contributions/local grants	106,787	132,787	131,652	(1,135)
Miscellaneous	54,841	47,641	85,376	37,735
TOTAL OTHER INCOME	<u>211,128</u>	<u>229,928</u>	<u>268,345</u>	<u>38,417</u>
TOTAL REVENUES	<u>2,278,223</u>	<u>2,314,568</u>	<u>2,309,548</u>	<u>(5,020)</u>

# CITY OF LOWELL

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES				
General Government				
Legislative Council	\$ 19,370	\$ 17,370	\$ 17,886	\$ (516)
Administrative				
City Manager	85,142	95,698	96,645	(947)
Elections	6,750	6,750	3,712	3,038
Assessor	40,132	40,132	41,750	(1,618)
Attorney	10,000	30,000	38,288	(8,288)
General office	154,111	153,886	147,956	5,930
Treasurer	158,236	169,054	169,810	(756)
Library	40,453	40,677	39,640	1,037
Planning	5,358	5,358	4,966	392
TOTAL ADMINISTRATIVE	500,182	541,555	542,767	(1,212)
TOTAL GENERAL GOVERNMENT	519,552	558,925	560,653	(1,728)
Public Safety				
Police	863,080	849,720	857,421	(7,701)
Fire	189,277	258,307	268,122	(9,815)
Ambulance	2,000	2,000	2,000	-
TOTAL PUBLIC SAFETY	1,054,357	1,110,027	1,127,543	(17,516)
Public services				
City Hall	34,305	44,305	46,403	(2,098)
Cemetery	85,498	90,450	88,533	1,917
Public works	148,582	156,699	153,609	3,090
Engineering	3,900	7,300	7,403	(103)
Parks	121,717	126,068	116,595	9,473
Refuse collection	85,000	85,000	93,496	(8,496)
Sidewalks	11,287	19,767	16,461	3,306
TOTAL PUBLIC SERVICES	490,289	529,589	522,500	7,089
Other Functions				
Other Services and charges	47,587	82,322	87,439	(5,117)
TOTAL EXPENDITURES	2,111,785	2,280,863	2,298,135	(17,272)
REVENUES OVER (UNDER) EXPENDITURES	166,438	33,705	11,413	(22,292)
OTHER FINANCING SOURCES (USES)				
Transfers in	106,000	96,000	81,560	(14,440)
Transfers (out)	(358,725)	(358,725)	(358,725)	-
TOTAL OTHER FINANCING SOURCES (USES)	(252,725)	(262,725)	(277,165)	(14,440)
NET CHANGE IN FUND BALANCES	(86,287)	(229,020)	(265,752)	(36,732)
FUND BALANCES, BEGINNING OF YEAR	381,448	381,448	381,448	-
FUND BALANCES, END OF YEAR	\$ 295,161	\$ 152,428	\$ 115,696	\$ (36,732)

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF LOWELL**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>		
	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>HISTORIC DISTRICT COMMISSION</u>
Cash and pooled investments	\$ 132,633	\$ 134,544	\$ 43,652
Due from other governments	35,166	12,824	-
Due from other funds	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 167,799</u>	<u>\$ 147,368</u>	<u>\$ 43,652</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 13,774	\$ 11,423	\$ -
Accrued liabilities	833	1,112	-
Due to other funds	-	50,000	-
Accrued compensated absences	223	232	-
<u>TOTAL LIABILITIES</u>	<u>14,830</u>	<u>62,767</u>	<u>-</u>
FUND BALANCES			
Reserved	-	-	-
Unreserved:			
Undesignated	152,969	84,601	43,652
<u>TOTAL FUND BALANCES</u>	<u>152,969</u>	<u>84,601</u>	<u>43,652</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 167,799</u>	<u>\$ 147,368</u>	<u>\$ 43,652</u>

<u>DEBT SERVICE</u>	<u>PERMANENT CEMETERY PERPETUAL CARE</u>	<u>TOTAL</u>
\$ 1,202	\$ 241,725	\$ 553,756
-	-	47,990
-	3,959	3,959
<u>\$ 1,202</u>	<u>\$ 245,684</u>	<u>\$ 605,705</u>

\$ -	\$ -	\$ 25,197
-	-	1,945
-	-	50,000
-	-	455
<u>-</u>	<u>-</u>	<u>77,597</u>

1,202	245,684	246,886
-	-	-
<u>-</u>	<u>-</u>	<u>281,222</u>
<u>1,202</u>	<u>245,684</u>	<u>528,108</u>
<u>\$ 1,202</u>	<u>\$ 245,684</u>	<u>\$ 605,705</u>



**CITY OF LOWELL**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>SPECIAL REVENUE</b>		
	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>HISTORIC DISTRICT COMMISSION</u>
REVENUES			
Intergovernmental revenues:			
State	\$ 195,331	\$ 75,454	\$ -
Investment income	2,574	770	526
Charges for perpetual care	-	-	-
Miscellaneous	14,355	3,400	50,000
	<u>212,260</u>	<u>79,624</u>	<u>50,526</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Highways and streets	126,975	106,392	-
Public services	-	-	89,749
Other functions	-	-	-
Debt service:			
Principal	-	25,000	-
Interest and fiscal charges	-	19,605	-
Capital outlay	21,942	15,401	-
	<u>148,917</u>	<u>166,398</u>	<u>89,749</u>
TOTAL EXPENDITURES			
REVENUES OVER (UNDER) EXPENDITURES	<u>63,343</u>	<u>(86,774)</u>	<u>(39,223)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	-
Transfers (out)	(40,000)	-	-
	<u>(40,000)</u>	<u>50,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	23,343	(36,774)	(39,223)
FUND BALANCES, BEGINNING OF YEAR	<u>129,626</u>	<u>121,375</u>	<u>82,875</u>
FUND BALANCES, END OF YEAR	<u>\$ 152,969</u>	<u>\$ 84,601</u>	<u>\$ 43,652</u>

<u>DEBT SERVICE</u>	<u>PERMANENT CEMETERY PERPETUAL CARE</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 270,785
2	1,561	5,433
-	5,250	5,250
-	-	67,755
<u>2</u>	<u>6,811</u>	<u>349,223</u>
-	-	233,367
-	-	89,749
-	89	89
100,000	-	125,000
249,075	-	268,680
-	-	37,343
<u>349,075</u>	<u>89</u>	<u>754,228</u>
<u>(349,073)</u>	<u>6,722</u>	<u>(405,005)</u>
348,725	-	398,725
-	(1,560)	(41,560)
<u>348,725</u>	<u>(1,560)</u>	<u>357,165</u>
(348)	5,162	(47,840)
<u>1,550</u>	<u>240,522</u>	<u>575,948</u>
<u>\$ 1,202</u>	<u>\$ 245,684</u>	<u>\$ 528,108</u>

**CITY OF LOWELL**  
**MAJOR STREETS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental revenues:				
State	\$ 180,000	\$180,000	\$ 195,331	\$ 15,331
Investment income	2,000	1,200	2,574	1,374
Miscellaneous	3,000	3,000	14,355	11,355
	<u>185,000</u>	<u>184,200</u>	<u>212,260</u>	<u>28,060</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Administration	16,797	28,466	42,212	(13,746)
Winter maintenance	29,763	24,963	19,757	5,206
Traffic	20,279	15,529	10,772	4,757
Maintenance	62,694	58,807	54,234	4,573
Capital outlay	-	10,000	21,942	(11,942)
	<u>129,533</u>	<u>137,765</u>	<u>148,917</u>	<u>(11,152)</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	55,467	46,435	63,343	16,908
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(40,000)</u>	<u>5,000</u>
NET CHANGES IN FUND BALANCES	10,467	1,435	23,343	21,908
FUND BALANCES, BEGINNING OF YEAR	<u>129,626</u>	<u>129,626</u>	<u>129,626</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 140,093</u>	<u>\$131,061</u>	<u>\$ 152,969</u>	<u>\$ 21,908</u>

**CITY OF LOWELL**  
**LOCAL STREETS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
State	\$ 74,000	\$ 74,000	\$ 75,454	\$ 1,454
Investment income	1,100	550	770	220
Miscellaneous	-	-	3,400	3,400
<b>TOTAL REVENUES</b>	<u>75,100</u>	<u>74,550</u>	<u>79,624</u>	<u>5,074</u>
<b>EXPENDITURES</b>				
Current:				
Administration	16,850	18,616	23,919	(5,303)
Winter maintenance	27,412	28,611	21,127	7,484
Traffic	7,396	7,415	5,003	2,412
Maintenance	63,765	60,661	56,343	4,318
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	19,605	19,605	19,605	-
Capital outlay	-	-	15,401	(15,401)
<b>TOTAL EXPENDITURES</b>	<u>160,028</u>	<u>159,908</u>	<u>166,398</u>	<u>(6,490)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(84,928)</b>	<b>(85,358)</b>	<b>(86,774)</b>	<b>(1,416)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>55,000</u>	<u>55,000</u>	<u>50,000</u>	<u>(5,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(29,928)</b>	<b>(30,358)</b>	<b>(36,774)</b>	<b>(6,416)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>121,375</u>	<u>121,375</u>	<u>121,375</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 91,447</u></u>	<u><u>\$ 91,017</u></u>	<u><u>\$ 84,601</u></u>	<u><u>\$ (6,416)</u></u>

# CITY OF LOWELL

## HISTORIC DISTRICT COMMISSION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Investment income	\$ -	\$ -	\$ 526	\$ 526
Miscellaneous	<u>25,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL REVENUES	<u>25,000</u>	<u>50,000</u>	<u>50,526</u>	<u>526</u>
EXPENDITURES				
Current				
Public services	<u>25,000</u>	<u>85,000</u>	<u>89,749</u>	<u>(4,749)</u>
TOTAL EXPENDITURES	<u>25,000</u>	<u>85,000</u>	<u>89,749</u>	<u>(4,749)</u>
NET CHANGES IN FUND BALANCES	-	(35,000)	(39,223)	(4,223)
FUND BALANCES, BEGINNING OF YEAR	<u>82,875</u>	<u>82,875</u>	<u>82,875</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 82,875</u>	<u>\$ 47,875</u>	<u>\$ 43,652</u>	<u>\$ (4,223)</u>

**INTERNAL SERVICE FUNDS**

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>DATA</u> <u>PROCESSING</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>			
Cash and pooled investments	\$ 15,854	\$ -	\$ 15,854
Accounts receivable	-	6,384	6,384
Due from other funds	36,568	-	36,568
Inventory	-	20,719	20,719
<b>TOTAL CURRENT ASSETS</b>	<u>52,422</u>	<u>27,103</u>	<u>79,525</u>
<b>CAPITAL ASSETS</b>			
Machinery and equipment	155,165	741,098	896,263
Less: Accumulated depreciation	<u>(149,359)</u>	<u>(688,168)</u>	<u>(837,527)</u>
<b>NET CAPITAL ASSETS</b>	<u>5,806</u>	<u>52,930</u>	<u>58,736</u>
<b><u>TOTAL ASSETS</u></b>	<u>58,228</u>	<u>80,033</u>	<u>138,261</u>
 <u>LIABILITIES</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	1,409	2,856	4,265
Accrued liabilities	-	1,904	1,904
Due to other funds	-	13,228	13,228
Accrued compensated absences	<u>-</u>	<u>7,114</u>	<u>7,114</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>1,409</u>	<u>25,102</u>	<u>26,511</u>
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	5,806	52,930	58,736
Unrestricted	<u>51,013</u>	<u>2,001</u>	<u>53,014</u>
<b><u>TOTAL NET ASSETS</u></b>	<u>\$ 56,819</u>	<u>\$ 54,931</u>	<u>\$ 111,750</u>

# CITY OF LOWELL

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>DATA PROCESSING</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 26,380	\$ 132,408	\$ 158,788
Miscellaneous income	-	548	548
	<u>26,380</u>	<u>132,956</u>	<u>159,336</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Personnel services	-	108,727	108,727
Supplies	1,252	24,366	25,618
Services and other charges	21,904	25,108	47,012
Depreciation	11,928	47,383	59,311
Miscellaneous	90	-	90
	<u>35,174</u>	<u>205,584</u>	<u>240,758</u>
TOTAL OPERATING EXPENSES			
OPERATING INCOME (LOSS)	<u>(8,794)</u>	<u>(72,628)</u>	<u>(81,422)</u>
NON OPERATING REVENUES			
Interest income	<u>637</u>	<u>77</u>	<u>714</u>
CHANGE IN NET ASSETS	(8,157)	(72,551)	(80,708)
NET ASSETS, BEGINNING OF YEAR	<u>64,976</u>	<u>127,482</u>	<u>192,458</u>
NET ASSETS, END OF YEAR	<u>\$ 56,819</u>	<u>\$ 54,931</u>	<u>\$ 111,750</u>



**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>DATA PROCESSING</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 26,380	\$ 134,255	\$ 160,635
Payments to suppliers	(24,375)	(51,982)	(76,357)
Payments to employees	<u>-</u>	<u>(108,664)</u>	<u>(108,664)</u>
Net cash provided by (used in) operating activities	<u>2,005</u>	<u>(26,391)</u>	<u>(24,386)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>			
Due to other funds	-	13,228	13,228
Due from other funds	<u>(36,568)</u>	<u>-</u>	<u>(36,568)</u>
Net cash provided by (used in) non-capital financing	<u>(36,568)</u>	<u>13,228</u>	<u>(23,340)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>637</u>	<u>77</u>	<u>714</u>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS</b>	(33,926)	(13,086)	(47,012)
<b>CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>	<u>49,780</u>	<u>13,086</u>	<u>62,866</u>
<b>CASH AND POOLED INVESTMENTS, END OF YEAR</b>	<u><u>\$ 15,854</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,854</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (8,794)	\$ (72,628)	\$ (81,422)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	11,928	47,383	59,311
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	-	1,299	1,299
Accounts payable	(1,129)	(1,789)	(2,918)
Accrued liabilities	-	63	63
Inventory	<u>-</u>	<u>(719)</u>	<u>(719)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u><u>\$ 2,005</u></u>	<u><u>\$ (26,391)</u></u>	<u><u>\$ (24,386)</u></u>

**FIDUCIARY FUNDS**

# CITY OF LOWELL

## PRIVATE PURPOSE TRUSTS COMBINING STATEMENTS OF NET ASSETS

JUNE 30, 2004

<u>ASSETS</u>	<u>CARR</u>	<u>LEE</u>	<u>LOOK-DALEY</u>	<u>TOTALS</u>
Cash and pooled investments	\$ 23,122	\$ 6,523	\$ 92,120	\$ 121,765
Investments	-	221,515	838,363	1,059,878
<u>TOTAL ASSETS</u>	<u>23,122</u>	<u>228,038</u>	<u>930,483</u>	<u>1,181,643</u>
 <u>LIABILITIES</u>				
Accounts payable	-	835	2,500	3,335
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>835</u>	<u>2,500</u>	<u>3,335</u>
 <u>NET ASSETS</u>				
Restricted	20,833	-	-	20,833
Unrestricted board designated	-	213,882	886,966	1,100,848
Unrestricted	2,289	13,321	41,017	56,627
<u>TOTAL NET ASSETS</u>	<u>\$ 23,122</u>	<u>\$ 227,203</u>	<u>\$ 927,983</u>	<u>\$ 1,178,308</u>

**CITY OF LOWELL**  
**PRIVATE PURPOSE TRUSTS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>CARR</u>	<u>LEE</u>	<u>LOOK- DALEY</u>	<u>TOTALS</u>
OPERATING REVENUES				
Interest and miscellaneous	<u>\$ 323</u>	<u>\$ 10,570</u>	<u>\$ 5,916</u>	<u>\$ 16,809</u>
EXPENSES				
Other functions	<u>92</u>	<u>22,893</u>	<u>58,310</u>	<u>81,295</u>
CHANGES IN NET ASSETS	<u>231</u>	<u>(12,323)</u>	<u>(52,394)</u>	<u>(64,486)</u>
NET ASSETS, BEGINNING OF YEAR	<u>22,891</u>	<u>239,526</u>	<u>980,377</u>	<u>1,242,794</u>
NET ASSETS, END OF YEAR	<u><u>\$ 23,122</u></u>	<u><u>\$ 227,203</u></u>	<u><u>\$ 927,983</u></u>	<u><u>\$1,178,308</u></u>

**CITY OF LOWELL**  
**AGENCY FUNDS**  
**COMBINING STATEMENTS OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>CURRENT TAX</u>	<u>TRAILWAYS</u>	<u>TOTALS</u>
Cash and pooled investments	\$ 94	\$ 14,514	\$ 14,608
<u>TOTAL ASSETS</u>	<u>\$ 94</u>	<u>\$ 14,514</u>	<u>\$ 14,608</u>
 <u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	\$ -	\$ 14,514	\$ 14,514
Due to other governments	94	-	94
<u>TOTAL LIABILITIES</u>	<u>\$ 94</u>	<u>\$ 14,514</u>	<u>\$ 14,608</u>

**COMPONENT UNIT DDA**

# CITY OF LOWELL

## DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2004

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS			
Cash and pooled investments	\$ 93,653	\$ -	\$ 93,653
Capital assets			
Land	-	67,876	67,876
Buildings, equipment and fixture, net	-	889,288	889,288
<u>TOTAL ASSETS</u>	<u>\$ 93,653</u>	<u>957,164</u>	<u>1,050,817</u>
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ 18,976	-	18,976
Accrued liabilities	551	3,847	4,398
Bonds payable current	-	125,000	125,000
Bonds payable long-term	-	1,485,000	1,485,000
<u>TOTAL LIABILITIES</u>	<u>19,527</u>	<u>1,613,847</u>	<u>1,633,374</u>
FUND BALANCE			
Fund balance, Undesignated	74,126	(74,126)	-
<u>TOTAL FUND EQUITY</u>	<u>74,126</u>	<u>(74,126)</u>	<u>-</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 93,653</u>	<u>1,539,721</u>	<u>1,633,374</u>
NET ASSETS			
Invested in capital assets, net of related debt		(652,836)	(652,836)
Unrestricted		70,279	70,279
<u>TOTAL NET ASSETS (DEFICIT)</u>		<u>\$ (582,557)</u>	<u>\$ (582,557)</u>

# CITY OF LOWELL

## DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 447,986	\$ -	\$ 447,986
Interest	3,038	-	3,038
TOTAL REVENUES	<u>451,024</u>	<u>-</u>	<u>451,024</u>
EXPENDITURES			
General government	175,130	56,684	231,814
Debt service:			
Principal retirement	125,000	(125,000)	-
Interest and fiscal charges	94,266	(290)	93,976
Capital outlay	<u>121,123</u>	<u>(121,123)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>515,519</u>	<u>(189,729)</u>	<u>325,790</u>
REVENUES OVER (UNDER) EXPENDITURES	(64,495)	64,495	-
NET CHANGE IN FUND BALANCE NET ASSETS		125,234	125,234
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	<u>138,621</u>	<u>(846,412)</u>	<u>(707,791)</u>
FUND BALANCE/NET ASSETS, END OF YEAR	<u>\$ 74,126</u>	<u>\$ (721,178)</u>	<u>\$ (582,557)</u>



**INTERNAL CONTROL  
AND  
COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 10, 2004

Honorable Mayor and  
Members of the City Council  
Lowell, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Lowell, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether the City of Lowell, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the City of Lowell, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*